

**CITY OF ARNOLDS PARK
INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016**

CITY OF ARNOLDS PARK

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CITY OF ARNOLDS PARK

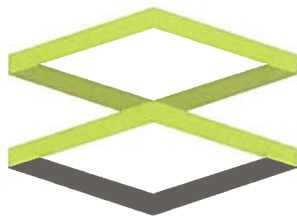
CITY OFFICIALS

Before January 1, 2016

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jim Hussong	Mayor	December 31, 2015
John Adams	Mayor Pro-Tem	December 31, 2015
Matt Richter	Council Member	December 31, 2017
Jason Christensen	Council Member	December 31, 2015
James D. Jensen	Council Member	December 31, 2015
Mitchell Watters	Council Member	December 31, 2017
Wanda Thielen	City Clerk	December 31, 2015
Kevin Sander	City Attorney	December 31, 2015

After January 1, 2016

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jim Hussong	Mayor	December 31, 2017
John Adams	Mayor Pro-Tem	December 31, 2019
Matt Richter	Council Member	December 31, 2017
Jason Christensen	Council Member	December 31, 2019
James D. Jensen	Council Member	December 31, 2019
Mitchell Watters	Council Member	December 31, 2017
Wanda Thielen	City Clerk	December 31, 2017
Kevin Sander	City Attorney	December 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles for the basis of accounting described in Note 1 require the financial data for the component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles for the basis of accounting described in Note 1, the cash basis net position, revenues, and expenses of the aggregate discretely presented component units would have been reported as \$325,004, \$690,833, and \$624,902, respectively.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Arnolds Park, Iowa as of June 30, 2016, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of June 30, 2016, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the primary government of the City of Arnolds Park. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 21 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Arnolds Park's internal control over financial reporting and compliance.

Wenther, Stave & Co., LLP

November 11, 2016
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

			Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Restricted Interest</u>	<u>Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 712,750	\$ 29,016	\$ -	\$ -
Public works	521,902	244,534	139,151	-
Culture and recreation	189,787	71,421	20,776	-
Community and economic development	193,902	-	-	-
General government	468,983	-	-	-
Debt service	2,412,043	-	-	-
Capital projects	1,036,077	-	-	-
Total governmental activities	<u>5,535,444</u>	<u>344,971</u>	<u>159,927</u>	<u>-</u>
Business type activities:				
Water	386,689	563,348	-	-
Sewer	<u>231,545</u>	<u>220,641</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>618,234</u>	<u>783,989</u>	<u>-</u>	<u>-</u>
TOTAL	\$ 6,153,678	\$ 1,128,960	\$ 159,927	\$ -

GENERAL RECEIPTS AND TRANSFERS:

Property and other city taxes levied for:	
General purposes	
Debt service	
Tax increment financing	
Local option sales tax	
Hotel/motel tax	
Other city tax	
Bond proceeds	
Miscellaneous	
Transfers	
Total general receipts and transfers	

Change in cash basis net position

Cash basis net position - beginning of year

Cash basis net position - end of year

CASH BASIS NET POSITION:

Restricted, expendable:	
Streets	
Urban renewal purpose	
Debt service	
Capital projects	
Unrestricted	

Total cash basis net position

Net (Disbursements) Receipts and Changes in
Cash Basis Net Position

Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
\$ (683,734)	\$ -	\$ (683,734)
(138,217)	-	(138,217)
(97,590)	-	(97,590)
(193,902)	-	(193,902)
(468,983)	-	(468,983)
(2,412,043)	-	(2,412,043)
<u>(1,036,077)</u>	<u>-</u>	<u>(1,036,077)</u>
<u>(5,030,546)</u>	<u>-</u>	<u>(5,030,546)</u>
-	176,659	176,659
<u>-</u>	<u>(10,904)</u>	<u>(10,904)</u>
-	165,755	165,755
<u>(5,030,546)</u>	<u>165,755</u>	<u>(4,864,791)</u>
1,021,166	-	1,021,166
130,425	-	130,425
758,399	-	758,399
254,811	-	254,811
367,497	-	367,497
26,358	-	26,358
1,360,000	-	1,360,000
228,511	-	228,511
<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
<u>4,297,167</u>	<u>(150,000)</u>	<u>4,147,167</u>
(733,379)	15,755	(717,624)
<u>1,815,861</u>	<u>78,613</u>	<u>1,894,474</u>
<u>\$ 1,082,482</u>	<u>\$ 94,368</u>	<u>\$ 1,176,850</u>
\$ 107,055	\$ -	\$ 107,055
67,731	-	67,731
29,693	-	29,693
274,366	-	274,366
<u>603,637</u>	<u>94,368</u>	<u>698,005</u>
<u>\$ 1,082,482</u>	<u>\$ 94,368</u>	<u>\$ 1,176,850</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

		Special Revenue	
		Road Use	Urban
	General	Tax	Renewal Tax
			Increment
RECEIPTS:			
Property tax	\$ 1,021,166	\$ -	\$ -
Tax increment financing	-	-	758,399
Other city tax	648,666	-	-
Licenses and permits	28,209	-	-
Intergovernmental	20,776	139,151	-
Charges for service	344,971	-	-
Miscellaneous	71,708	-	-
TOTAL RECEIPTS	<u>2,135,496</u>	<u>139,151</u>	<u>758,399</u>
DISBURSEMENTS:			
Operating:			
Public safety	712,750	-	-
Public works	410,180	111,722	-
Culture and recreation	189,787	-	-
Community and economic development	193,902	-	-
General government	468,983	-	-
Debt service	-	-	-
Capital projects	-	-	-
TOTAL DISBURSEMENTS	<u>1,975,602</u>	<u>111,722</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>159,894</u>	<u>27,429</u>	<u>758,399</u>
OTHER FINANCING SOURCES (USES):			
Additions to refund bond escrow	-	-	-
Bond proceeds	-	-	-
Transfers in (out)	(233,769)	-	(678,476)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(233,769)</u>	<u>-</u>	<u>(678,476)</u>
CHANGE IN CASH BALANCES	(73,875)	27,429	79,923
CASH BALANCES - BEGINNING OF YEAR	<u>677,512</u>	<u>79,626</u>	<u>(12,192)</u>
CASH BALANCES - END OF YEAR	<u>\$ 603,637</u>	<u>\$ 107,055</u>	<u>\$ 67,731</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Streets	\$ -	\$ 107,055	\$ -
Urban renewal purpose	-	-	67,731
Debt service	-	-	-
Capital projects funds	-	-	-
Unassigned	<u>603,637</u>	<u>-</u>	<u>-</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 603,637</u>	<u>\$ 107,055</u>	<u>\$ 67,731</u>

See Notes to Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 130,425	\$ -	\$ 1,151,591
-	-	758,399
-	-	648,666
-	-	28,209
-	-	159,927
-	-	344,971
25,000	103,594	200,302
<u>155,425</u>	<u>103,594</u>	<u>3,292,065</u>
-	-	712,750
-	-	521,902
-	-	189,787
-	-	193,902
-	-	468,983
2,248,377	-	2,248,377
-	1,036,077	1,036,077
<u>2,248,377</u>	<u>1,036,077</u>	<u>5,371,778</u>
<u>(2,092,952)</u>	<u>(932,483)</u>	<u>(2,079,713)</u>
(163,666)	-	(163,666)
1,360,000	-	1,360,000
848,476	213,769	150,000
<u>2,044,810</u>	<u>213,769</u>	<u>1,346,334</u>
(48,142)	(718,714)	(733,379)
77,835	993,080	1,815,861
<u>\$ 29,693</u>	<u>\$ 274,366</u>	<u>\$ 1,082,482</u>
\$ -	\$ -	\$ 107,055
-	-	67,731
29,693	-	29,693
-	274,366	274,366
-	-	603,637
<u>\$ 29,693</u>	<u>\$ 274,366</u>	<u>\$ 1,082,482</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service	\$ 563,348	\$ 220,641	\$ 783,989
TOTAL OPERATING RECEIPTS	<u>563,348</u>	<u>220,641</u>	<u>783,989</u>
OPERATING DISBURSEMENTS:			
Business-type activities	386,689	231,545	618,234
TOTAL OPERATING DISBURSEMENTS	<u>386,689</u>	<u>231,545</u>	<u>618,234</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	176,659	(10,904)	165,755
TRANSFERS OUT	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
CHANGE IN CASH BALANCES	26,659	(10,904)	15,755
CASH BALANCES - BEGINNING OF YEAR	<u>78,380</u>	<u>233</u>	<u>78,613</u>
CASH BALANCES - END OF YEAR	<u>\$ 105,039</u>	<u>\$ (10,671)</u>	<u>\$ 94,368</u>
CASH BASIS FUND BALANCES:			
Unrestricted	<u>\$ 105,039</u>	<u>\$ (10,671)</u>	<u>\$ 94,368</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF ARNOLDS PARK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Central Water System and Arnolds Park/Okoboji Fire and Rescue. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component units described below:

The City participates with the City of Okoboji in the operation of Central Water System (System), which is organized under Chapter 28E of the Code of Iowa and provides water system services to the two municipalities and an unrelated regional water system. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2016 totaled \$244,400, approximately 49% of total System revenues. The financial statements of this component unit are separately audited and are presented on the cash basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Okoboji in the operation of Arnolds Park/Okoboji Fire and Rescue (Department), which is organized under Chapter 28E of the Code of Iowa and provides fire and rescue services to the two municipalities. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. The City's contributions to the Department during the year ended June 30, 2016 totaled \$81,650, approximately 50% of total Department operating revenue. The financial statements of this component unit are separately audited and are presented on the cash basis of accounting. Complete financial statements of Arnolds Park/Okoboji Fire and Rescue can be obtained from their administrative offices.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, Dickinson County Assessor's Conference Board, Dickinson County Joint E911 Service Board, and Dickinson County Trails Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the restricted classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, general government, capital projects, and business-type functions.

F. Management's Review

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 680,000	\$ 336,968
2018	735,000	312,577
2019	760,000	299,327
2020	795,000	285,502
2021	1,135,000	271,052
2022 - 2026	4,090,000	1,055,951
2027 - 2031	3,430,000	516,100
2032 - 2036	<u>1,160,000</u>	<u>109,106</u>
Total	<u>\$12,785,000</u>	<u>\$3,186,583</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund.

Advance Refunding - On April 16, 2016, the City issued \$2,405,000 in refunding bonds with interest rates ranging between 1.75% and 2.75%. The City issued the bonds to advance refund \$2,200,000 of the outstanding series 2010 urban renewal general obligation bonds with interest rates between 4.50% and 5.25%. The City used the net proceeds to purchase US government securities. These securities were deposited into an escrow account to provide for all future debt service on the refunded portion. As a result, that portion of the bond issue is considered defeased; and the City has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 13 years by approximately \$358,000.

4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

4. PENSION PLAN - Continued

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$69,602.

4. PENSION PLAN - Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$241,187 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .0048818% which was an increase of .000633% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$35,592, \$92,662, and \$132,127, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage Growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

4. PENSION PLAN - Continued

Actuarial Assumptions - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 624,261	\$ 241,187	\$ (81,900)

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree health plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 13 active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Plan Description - Continued - The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. Depending on plan level selected, the most recent active member monthly premiums for the City and plan members range from \$461 for single coverage to \$1,154 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2016, the City made no contributions to the retiree benefit plan.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2016 is \$23,788, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2016.

Sick leave is not payable upon termination, retirement or death, therefore the accumulated sick leave is not presented as part of these financial statements.

7. RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

7. RISK MANAGEMENT - Continued

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$36,062.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's fund and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	<u>\$ 213,769</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	678,476
	Enterprise:	
	Water	150,000
	General	<u>20,000</u>
Total transfers to Debt Service Fund		<u>848,476</u>
Total		<u>\$1,062,245</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$938 during the year ended June 30, 2016.

10. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

11. COMMITMENTS AND CONTINGENCIES

At June 30, 2016, the City has entered into construction contracts for various infrastructure projects totaling approximately \$904,000, of which approximately \$228,000 remained outstanding. The balance on the contracts will be paid as work on the projects progresses.

12. DEFICIT BALANCE

The Enterprise Sewer Fund had a deficit balance of \$10,671 at June 30, 2016. The balance is the result of increased disbursement. The deficit will be eliminated by increasing user fees.

OTHER INFORMATION

CITY OF ARNOLDS PARK
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
OTHER INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax	\$ 1,151,591	\$ -	\$ -
Tax increment financing	758,399	-	-
Other city tax	648,666	-	-
Licenses and permits	28,209	-	-
Intergovernmental	159,927	-	-
Charges for service	344,971	783,989	-
Special assessments	-	-	-
Miscellaneous	200,302	-	-
TOTAL RECEIPTS	<u>3,292,065</u>	<u>783,989</u>	<u>-</u>
DISBURSEMENTS:			
Public safety	712,750	-	-
Public works	521,902	-	-
Culture and recreation	189,787	-	-
Community and economic development	193,902	-	-
General government	468,983	-	-
Debt service	2,248,377	-	1,155,000
Capital projects	1,036,077	-	-
Business-type activities	-	618,234	-
TOTAL DISBURSEMENTS	<u>5,371,778</u>	<u>618,234</u>	<u>1,155,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,079,713)	165,755	(1,155,000)
OTHER FINANCING SOURCES (USES) - NET	<u>1,346,334</u>	<u>(150,000)</u>	<u>1,155,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	(733,379)	15,755	-
CASH BALANCES - BEGINNING OF YEAR	<u>1,815,861</u>	<u>78,613</u>	<u>-</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,082,482</u>	<u>\$ 94,368</u>	<u>\$ -</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,151,591	\$ 1,104,743	\$ 1,104,743	\$ 46,848
758,399	739,726	739,726	18,673
648,666	561,829	611,829	36,837
28,209	7,000	7,000	21,209
159,927	320,649	233,612	(73,685)
1,128,960	1,076,600	1,076,600	52,360
-	27,740	27,740	(27,740)
200,302	70,933	70,933	129,369
<u>4,076,054</u>	<u>3,909,220</u>	<u>3,872,183</u>	<u>203,871</u>
712,750	650,949	700,949	(11,801)
521,902	473,296	523,296	1,394
189,787	184,236	194,236	4,449
193,902	179,050	204,050	10,148
468,983	464,090	464,090	(4,893)
1,093,377	1,102,909	1,102,909	9,532
1,036,077	600,625	600,625	(435,452)
618,234	548,654	548,654	(69,580)
<u>4,835,012</u>	<u>4,203,809</u>	<u>4,338,809</u>	<u>(496,203)</u>
(758,958)	(294,589)	(466,626)	(292,332)
<u>41,334</u>	<u>-</u>	<u>-</u>	<u>41,334</u>
(717,624)	(294,589)	(466,626)	<u>\$ (250,998)</u>
<u>1,894,474</u>	<u>1,362,564</u>	<u>1,362,564</u>	
<u>\$ 1,176,850</u>	<u>\$ 1,067,975</u>	<u>\$ 895,938</u>	

CITY OF ARNOLDS PARK
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$135,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, general government, capital projects, and business type activities functions.

CITY OF ARNOLDS PARK
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS *
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability0048818%	.00424489%
City's proportionate share of the net pension liability	\$ 241	\$ 168
City's covered-employee payroll	\$ 721	\$ 707
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.43%	23.76%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

CITY OF ARNOLDS PARK
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 70	\$ 69	\$ 67	\$ 63
Contributions in relation to the statutorily required contribution	<u>(70)</u>	<u>(69)</u>	<u>(67)</u>	<u>(63)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 748	\$ 721	\$ 707	\$ 672
Contributions as a percentage of covered-employee payroll.....	9.35%	9.60%	9.45%	9.39%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ (57)	\$ 53	\$ 51	\$ 45	\$ 43	\$ 39
<u>(57)</u>	<u>(53)</u>	<u>(51)</u>	<u>(45)</u>	<u>(43)</u>	<u>(39)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 639	\$ 647	\$ 655	\$ 631	\$ 610	\$ 544
8.90%	8.27%	7.76%	7.12%	7.07%	7.13%

CITY OF ARNOLDS PARK
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of Benefit Terms

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

SUPPLEMENTARY INFORMATION

CITY OF ARNOLDS PARK
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2016

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes:			
Essential corporate purpose	October 8, 2014	2.00 - 4.00%	1,285,000
General Obligation Bonds (paid from TIF Fund transfers):			
Essential corporate purpose ⁽¹⁾	January 1, 2010	4.50 - 5.25%	2,200,000
General Obligation Refunding Bonds (paid from TIF Fund transfers):			
Essential corporate purpose	December 1, 2010	.60 - 3.00%	1,925,000
Essential corporate purpose	March 29, 2012	1.5% - 2.1%	3,515,000
Essential corporate purpose	June 2, 2014	2.00% - 3.13%	2,045,000
Essential corporate purpose	April 6, 2016	1.75% - 2.75%	2,405,000
Essential corporate purpose	April 6, 2016	2.00%	1,155,000
General Obligation Refunding Bonds (paid from Water Fund transfers):			
Essential corporate purpose	June 2, 2014	2.00% - 4.00%	4,340,000
 TOTAL			

⁽¹⁾ Bond escrow balance of \$2,363,666 was established on behalf of City for retirement of bond obligations.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,285,000		\$ 10,000	\$ 1,275,000	\$ 76,802	
2,200,000		2,200,000		103,813	
1,230,000		1,230,000		31,588	
2,440,000		260,000	2,180,000	41,400	
1,945,000		130,000	1,815,000	46,675	
	\$2,405,000		2,405,000		
	1,155,000		1,155,000		
<u>4,150,000</u>	<u> </u>	<u>195,000</u>	<u>3,955,000</u>	<u>121,631</u>	<u>-</u>
<u>\$13,250,000</u>	<u>\$3,560,000</u>	<u>\$4,025,000</u>	<u>\$12,785,000</u>	<u>\$421,909</u>	<u>-</u>

CITY OF ARNOLDS PARK
BOND AND NOTE MATURITIES
JUNE 30, 2016

General Obligation Bonds and Notes								
Essential Corporate Purpose								
Year Ending June 30.	Issued 3-29-2012		Issued 6-2-2014		Issued 6-2-2014		Issued 10-8-2014	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2017	1.70%	\$ 260,000	2.00%	\$ 100,000	2.00%	\$ 195,000	2.00%	\$ 10,000
2018	1.75	260,000	2.00	120,000	2.00	200,000	2.00	15,000
2019	1.80	275,000	2.00	140,000	2.00	205,000	2.00	15,000
2020	1.85	290,000	2.00	135,000	2.00	210,000	2.00	15,000
2021	1.90	250,000	2.00	215,000	2.00	215,000	3.00	15,000
2022	1.95	235,000	2.25	215,000	2.25	215,000	3.00	15,000
2023	2.00	300,000	2.50	220,000	2.50	220,000	3.00	15,000
2024	2.05	310,000	2.625	225,000	2.625	225,000	3.00	35,000
2025			3.00	220,000	2.75	235,000	3.00	55,000
2026			3.125	105,000	3.00	240,000	3.00	60,000
2027			3.125	120,000	3.375	245,000	3.00	65,000
2028					3.375	255,000	3.75	60,000
2029					3.75	265,000	3.75	65,000
2030					3.75	275,000	3.75	70,000
2031					4.00	285,000	3.75	75,000
2032					4.00	290,000	3.75	80,000
2033					4.00	180,000	4.00	205,000
2034							4.00	405,000
TOTALS		<u>\$2,180,000</u>		<u>\$1,815,000</u>		<u>\$3,955,000</u>		<u>\$1,275,000</u>

Schedule 2

<u>Issued 4-6-2016</u>		<u>Issued 4-6-2016</u>		
<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2.00%	\$ 105,000	2.00%	\$ 10,000	\$ 680,000
2.00	120,000	2.00	20,000	735,000
2.00	105,000	2.00	20,000	760,000
2.00	125,000	2.00	20,000	795,000
2.00	420,000	1.75	20,000	1,135,000
2.00	280,000	1.75	20,000	980,000
		1.75	20,000	775,000
		1.75	25,000	820,000
		1.75	25,000	535,000
		2.125	575,000	980,000
		2.125	560,000	990,000
		2.50	550,000	865,000
		2.75	540,000	870,000
				345,000
				360,000
				370,000
				385,000
				<u>405,000</u>
	<u>\$1,155,000</u>		<u>\$2,405,000</u>	<u>\$12,785,000</u>

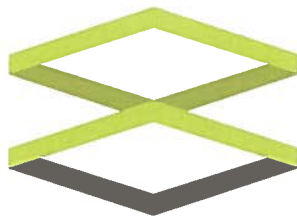
CITY OF ARNOLDS PARK
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
RECEIPTS:				
Property tax	\$ 1,151,591	\$ 1,130,784	\$ 1,026,595	\$ 1,009,177
Tax increment financing collections	758,399	777,179	779,586	865,468
Other city tax	648,666	632,164	584,408	558,313
Licenses and permits	28,209	22,949	17,003	23,340
Use of money and property	-	-	2,748	2,823
Intergovernmental	159,927	143,186	579,263	231,099
Charges for service	344,971	341,996	339,721	319,960
Special assessments	-	-	-	-
Miscellaneous	<u>1,560,302</u>	<u>194,312</u>	<u>150,351</u>	<u>139,380</u>
TOTAL RECEIPTS	<u>\$ 4,652,065</u>	<u>\$ 3,242,570</u>	<u>\$ 3,479,675</u>	<u>\$ 3,149,560</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 712,750	\$ 650,613	\$ 698,904	\$ 767,222
Public works	521,902	415,160	521,709	438,903
Culture and recreation	189,787	176,834	175,114	163,740
Community and economic development	193,902	181,270	174,876	174,710
General government	468,983	534,520	480,080	417,018
Debt service	2,248,377	1,998,425	6,904,348	1,238,575
Capital projects	<u>1,036,077</u>	<u>577,469</u>	<u>876,670</u>	<u>2,083,563</u>
TOTAL DISBURSEMENTS	<u>\$ 5,371,778</u>	<u>\$ 4,534,291</u>	<u>\$ 9,831,701</u>	<u>\$ 5,283,731</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,000,620	\$ 862,379	\$ 880,285	\$ 832,111	\$ 725,936	\$ 690,951
759,247	919,553	801,763	709,474	657,508	587,696
551,598	526,895	500,287	522,608	478,176	395,740
18,544	21,598	18,499	23,725	19,952	17,332
12,506	18,843	5,539	55,185	160,904	246,899
1,574,196	608,111	579,067	230,523	305,999	790,700
292,874	293,896	287,172	289,042	275,552	267,713
-	-	273,047	-	-	59,449
249,118	543,539	160,398	180,365	71,759	129,094
<u>\$ 4,458,703</u>	<u>\$ 3,794,814</u>	<u>\$ 3,506,057</u>	<u>\$ 2,843,033</u>	<u>\$ 2,695,786</u>	<u>\$ 3,185,574</u>
\$ 586,031	\$ 659,414	\$ 593,702	\$ 1,176,609	\$ 572,769	\$ 541,017
432,711	423,369	478,818	424,422	376,570	409,110
161,668	144,968	147,110	139,377	131,915	135,879
140,392	148,160	152,229	151,110	129,663	99,155
456,414	480,113	454,051	379,260	412,201	367,160
4,555,150	2,837,589	882,530	792,331	680,916	829,771
4,385,391	708,999	4,557,052	2,033,764	1,659,099	1,484,140
<u>\$ 10,717,757</u>	<u>\$ 5,402,612</u>	<u>\$ 7,265,492</u>	<u>\$ 5,096,873</u>	<u>\$ 3,963,133</u>	<u>\$ 3,866,232</u>

CITY OF ARNOLDS PARK
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	<u>Operating</u>	<u>Special Electric</u>	<u>Equipment Revolving</u>	<u>Total</u>
RECEIPTS:				
Property tax	\$ 1,021,166	\$ -	\$ -	\$ 1,021,166
Other city tax	648,666	-	-	648,666
Licenses and permits	28,209	-	-	28,209
Intergovernmental	20,776	-	-	20,776
Charges for service	344,971	-	-	344,971
Miscellaneous	36,174	15,769	19,765	71,708
TOTAL RECEIPTS	<u>2,099,962</u>	<u>15,769</u>	<u>19,765</u>	<u>2,135,496</u>
DISBURSEMENTS:				
Operating:				
Public safety	647,341	-	65,409	712,750
Public works	336,486	-	73,694	410,180
Culture and recreation	189,787	-	-	189,787
Community and economic development	193,902	-	-	193,902
General government	468,983	-	-	468,983
TOTAL DISBURSEMENTS	<u>1,836,499</u>	<u>-</u>	<u>139,103</u>	<u>1,975,602</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>263,463</u>	<u>15,769</u>	<u>(119,338)</u>	<u>159,894</u>
OTHER FINANCING SOURCES (USES)	<u>(263,000)</u>	<u>(15,769)</u>	<u>45,000</u>	<u>(233,769)</u>
CHANGE IN CASH BALANCES	463	-	(74,338)	(73,875)
CASH BALANCES - BEGINNING OF YEAR	<u>613,238</u>	<u>1,663</u>	<u>62,611</u>	<u>677,512</u>
CASH BALANCES - END OF YEAR	<u>\$ 613,701</u>	<u>\$ 1,663</u>	<u>\$ (11,727)</u>	<u>\$ 603,637</u>



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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council
City of Arnolds Park
Arnolds Park, IA 51331

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated November 11, 2016. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Arnolds Park's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Arnolds Park's Responses to Findings

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winther, Staver & Co., LLP

November 11, 2016
Spencer, Iowa

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-16 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Statutory Reporting

- II-A-16 Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, general government, capital projects, and business-type functions. In addition, disbursements in capital projects and community and economic development functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-16 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-16 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-16 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Walker Insurance Agency, owner is spouse of a City employee	Insurance	\$ 938

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the insurance transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

- II-E-16 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-16 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Statutory Reporting - Continued

II-G-16 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-16 Revenue Notes - The City had no revenue notes outstanding during the year.

II-I-16 Urban Renewal Annual Report - The FY2015 urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

II-J-16 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the city with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.

II-K-16 TIF Indebtedness Certification - We noted the City prepared City TIF Form 1 for indebtedness not previously certified but reported an incorrect amount of interest.

Recommendation - The City should ensure the principal and interest on new indebtedness are accurately reported on certification forms to the County.

Response - We will correct this item on future reports.

Conclusion - Response accepted.

CITY OF ARNOLDS PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2016

Part II: Other Findings Related to Statutory Reporting - Continued

II-L-16 Financial Condition - The Proprietary and Sewer Fund had a deficit balance of \$10,671 at June 30, 2016.

Recommendation - The City should review sewer user rates and increase them to eliminate this deficit in order to return this fund to a sound financial position.

Response - We will review our sewer rates and expenditures to eliminate the deficit.

Conclusion - Response accepted.